BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268–0001

PERIODIC REPORTING (PROPOSAL SIX)	Docket No. RM2017-10

PETITION OF THE UNITED STATES POSTAL SERVICE FOR THE
INITIATION OF A PROCEEDING TO CONSIDER PROPOSED CHANGES
IN ANALYTICAL PRINCIPLES (PROPOSAL SIX)
(July 28, 2017)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the

Commission initiate a rulemaking proceeding to consider a proposal to change

analytical principles relating to periodic reports and compliance determinations. The

proposal, relating to improvements in the mail processing and transportation cost

models for Parcel Select / Parcel Return Service mail (filed in the most recent ACR as

USPS-FY16-NP15 and USPS-FY16-NP16), is labeled Proposal Six and is discussed in

detail in the attachment to this Petition describing the proposal.

Respectfully submitted,

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<u>**PROPOSAL SIX**</u>

MODIFICATION OF THE PARCEL SELECT / PARCEL RETURN SERVICE MAIL PROCESSING AND TRANSPORTATION COST MODELS

OBJECTIVE:

The Postal Service proposes that the Parcel Select / Parcel Return Service mail processing cost model and transportation cost model be modified as described below. These cost models were last presented in Docket No. ACR2016, USPS-FY16-NP15 and USPS-FY16-NP16, respectively.

BACKGROUND:

In January 2016 the originating network distribution center (ONDC) and network distribution center (NDC) presort Parcel Select price categories were discontinued and removed from the Price List. In that same month, the Parcel Return Service (PRS) return network distribution center (RNDC) price category was removed from the Price List. During the process of modifying these models to remove the portions of the cost studies related to the discontinued price categories, the Postal Service detected some minor errors that required correction. The Postal Service also reviewed the models to ensure that they reflected current processing methods and evaluated the possibility of incorporating new data into the analyses.

RATIONALE:

Based on this review, the Postal Service proposes that the following modifications be made to the Parcel Select / PRS mail processing and transportation cost models.

Mail Processing Cost Model

The proposed Parcel Select / PRS mail processing cost model is contained in the USPS-RM2017-10/NP1, 'PROP.SIX.USPS-FY16-NP15' file. All worksheets and portions of worksheets specific to the discontinued price categories have been removed from the cost model. The page numbers (corresponding to and appearing in the header of each tab, and indicating the position of that tab in the sequence) have been revised accordingly, and the citations have been revised to reflect the new page numbers.

'Summary' Worksheet: The Price List no longer contains distinct Parcel Select Lightweight prices for machinable and irregular parcels. The Parcel Select Lightweight costs now presented on the 'Summary' worksheet (page 1) represent the weighted average costs for machinable and irregular parcels based on volume. In addition, other changes to this worksheet were made as described below.

'PS Data' Worksheet: The machinable and manual parcel processing percentages found in cells B42 and B43 in the 'PS Data' worksheet (page 3) were calculated incorrectly in Docket No. ACR2016. This error has now been corrected.

'Volumes' Worksheet: The ONDC and NDC presort volumes were incorporated into the Ground volume (cell B16) in the 'Volumes' worksheet (page 4). In addition, the total Ground volume in page 4 was disaggregated into machinable, non-machinable outside (NMO), and oversize volumes using the Parcel Select volume data found in the 'PS Data' worksheet (page 3).

The Full Network PRS volume was previously grouped with the RNDC volume in the 'Volumes' worksheet (page 4). Now that the RNDC price category no longer exists, that combined volume is presented as the Full Network volume (cell B43) on page 4

and is disaggregated into machinable, NMO, and oversize volumes using the data from the 'PS Data' worksheet (page 3).

'Mail Arrival Profile' Worksheet: The non-destination entry percentages contained in cells B47:C49 in the 'Mail Arrival Profile' worksheet (page 7) have been updated. The data can be found in the 'NON-DEST ENTRY' worksheet (page 1) in the USPS-RM2017-10/NP1 (hereafter NP folder), 'PROP.SIX.DATA.xlsx' file.

'Other Inputs' Worksheet: The coverage factors found in the 'Other Inputs' worksheet (page 9) have been updated using Parcel Select Origin Destination Information System (ODIS) data. These data can be found in the 'COVERAGE FACTORS' worksheet (page 3) in the NP folder 'PROP.SIX.DATA.xlsx' file.

The mail flow model in the 'M-NONE-MNDC' worksheet (page 24) previously relied on a "transfer volume" percentage in the 'Other Inputs' worksheet (page 9) that was derived using end-of-run (webEOR) data. This percentage was used to estimate the volume of primary parcel sorting machine (PPSM) mail at the originating NDC that was subsequently processed on the secondary parcel sorting machine (SPSM) at the originating NDC. This statistic was essentially used to estimate the percentage of nonpresort parcels that were IntraNDC parcels. The Postal Service proposes that the percentage of mail in zones one through three be used as the approximation for the percentage of IntraNDC parcels. This methodology is identical to that found in the Ground mail flow model, as well as the mail flow models used to estimate the costs of other parcel products. Given that Parcel Select Lightweight is not zoned, the Parcel Select Ground percentage in the 'PS Data' worksheet (page 3) is used as a proxy. In addition, the transfer volume percentage has been removed from page 9.

In the previous version of the cost model, webEOR data were used to estimate the percentage of mail that was finalized to the 5-digit level on the PPSM. After further review, it was determined that the webEOR data did not accurately measure this statistic. In addition, this statistic was calculated prior to the NDC activation process. Given that PPSM operations are no longer located at all NDCs, it is less likely now that mail would be finalized to the 5-digit level on the PPSM. The Postal Service therefore proposes that this statistic be removed from the cost model.

Parcel Select Ground Worksheets: The previous version of the cost model contained a Ground machinable cost estimate only. The proposed version contains Ground machinable, NMO, and oversize cost estimates in the 'GROUND MACH' worksheet (page 11), the 'GROUND NMO' worksheet (page 12), and the 'GROUND OVER' worksheet (page 13), respectively. Line items for the NMO and oversize cost estimates have been added to the 'Summary' worksheet (page 1) and those data have been incorporated into the analysis.

PRS Full Network Worksheets: There were no distinct Full Network PRS mail flow models in the previous version of the cost model. Full Network mail flow models have now been added for machinable, NMO, and oversize parcels. The models can be found in the 'FULL MACH' worksheet (page 46), 'FULL NMO' worksheet (page 47), and 'FULL OVER' worksheet (page 48), respectively. These mail flow models are the same as those used for Parcel Select Ground, with the exception that it is assumed that the customers enter the return parcels at a delivery unit. In addition, these mail flow models include scanning and postage due costs. The number of Full Network active scans required before each PRS mail piece is delivered to the recipient is assumed to be one,

which is the same as the number of active scans required for return sectional center facility (RSCF) PRS. It is also assumed that the postage due costs would be identical to those incurred for RSCF. Line items for Full Network PRS cost estimates have been added to the 'Summary' worksheet (page 1) and those data have been incorporated into the analysis.

PRS RDU Worksheets: Two errors were detected in the return delivery unit (RDU) machinable, NMO, and oversize mail flow models. These models can be found in the 'RDU MACH' worksheet (page 52), 'RDU NMO' worksheet (page 53), and the 'RDU OVER' worksheet (page 54), respectively. First, these models previously contained costs for postal employees loading the PRS recipients' vehicles. Because PRS recipients are responsible for loading their own vehicles, this task was deleted from all RDU mail flow models. Second, when PRS was first established as a product, the PRS recipients were assessed a fixed-price for each mail piece, regardless of the weight. Postage due costs were therefore not incurred at that time. The current Price List contains RDU prices that vary by weight increment. Consequently, postage due costs are now incurred and have been added to the RDU mail flow models.

Transportation Cost Model

The proposed transportation cost model can be found in the NP folder 'PROP.SIX.USPS-FY16-NP16' file. All worksheets and portions of worksheets specific to the discontinued price categories have been removed from the cost model. The page numbers (corresponding to and appearing in the header of each tab, and indicating the position of that tab in the sequence) have been revised accordingly, and the citations have been revised to reflect the new page numbers.

'Other Inputs' Worksheet: The Ground non-destination entry percentages contained in cells B18:B20 in the 'Other Inputs' worksheet (page 24) have been updated. The data can be found in the 'NON-DEST ENTRY' worksheet (page 1) in the NP folder 'PROP.SIX.DATA.xlsx' file.

The InterNDC long distance zone-related percentage has been updated. This percentage (45 percent) was first introduced in Docket No. R2001-1[1] and was developed using Transportation Cost System (TRACS) data. It had previously been hardcoded into cell J23 in the 'Trans Inputs – PS' worksheet (page 21) and cell J23 in the 'Trans Inputs – PRS' worksheet (page 23). This input value has now been moved to cell B26 in the 'Other Inputs' worksheet. An updated estimate can be found in cell C8 of the 'TRACS-LONG DISTANCE' worksheet (page 3) in the NP folder 'PROP.SIX.DATA.xlsx' file. When the calculation is based on the number of stop-days, the percentage has not changed significantly since it was first estimated in Docket No. R2001-1.

The Postal Service, however, proposes that this statistic now be calculated using the TRACS percentage of cubic-foot-miles for Parcel Select mail pieces traveling to a different NDC service area, rather than a count of the different types of stops. If a mail piece on one leg of transportation originates and destinates in different NDC service areas, then that mail piece is considered to have traveled a long distance, rather than a local or intermediate distance. The NDC service areas of the origin and destination facilities are determined from their respective 3-digit ZIP Codes. In addition, this proposal uses the same method that was described for InterNDC to calculate long distance percentages for the other three contract types (IntraSCF, InterSCF, and

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[1] See the response to PSA/USPS-T25-1 in Docket No. R2001-1 (Witness Eggleston, Tr. 11A/3947-49).

IntraNDC). These percentages can be found in cells B18:E18 of the 'TRACS-LONG

DISTANCE' worksheet (page 3) in the NP folder 'PROP.SIX.DATA.xlsx' file. The

IntraSCF, InterSCF, IntraNDC, and InterNDC long distance percentages are now

contained in cells B23, B24, B25, and B26, respectively, in the 'Other Inputs' worksheet

of the cost model.

In the 'Cost Dist PS' worksheet (page 9), the previous version of the cost model

contained several assumptions regarding the number of transportation legs for the

destination network distribution center (DNDC), destination sectional center facility

(DSCF), and destination delivery unit (DDU) price categories. In addition, the number of

DNDC long distance transportation legs was assumed to be zero and the number of

DSCF intermediate and long distance transportation legs was assumed to be zero. The

number of DDU local transportation legs was based on a Docket No. R2000-1 figure.

The number of DDU intermediate and long distance transportation legs was assumed to

be zero. Empirical data suggests that each of the destination-entered price categories

(DNDC, DSCF, and DDU) all incur costs for modes of transportation in which one might

not expect to find any costs. In a sense, the six transportation legs described above

can be viewed as "unexpected" transportation legs. The calculations in rows 28 through

41 of the 'Other Inputs' worksheet (page 24) are used to estimate the unexpected legs

by transportation type for the DNDC, DSCF, and DDU price categories.

First, the numbers of "expected piece-legs" are calculated in row 30. For each

transportation type, the product of the "expected" transportation legs and volume for all

applicable price categories are summed.

In rows 32 through 35, a combination of TRACS data and census data are used

to identify the "unexpected percentage" of DNDC, DSCF, and DDU mail that is shipped using local, intermediate, and long distance transportation. Each Parcel Select piece that is sampled and scanned on a TRACS test is compared to Product Tracking and Reporting (PTR) system scan data to determine its price category. Pieces without scans or without price category information are assigned to price categories in proportion to the percentages calculated from scanned pieces with price category information. Together with Billing Determinants data, it is then possible to estimate the "unexpected percentage" of the volume for the DNDC, DSCF, and DDU price categories that can be found on local, intermediate, and long distance transportation. These data can be found in the 'TRACS-PTR DATA' worksheet (page 4) in the NP folder 'PROP.SIX.DATA.xlsx' file. Supporting Parcel Select barcode data for the calculations can be found in pages 5 and 6 of that same file.

The ratio of the "unexpected percentage" to the "expected percentage" (which is equal to 1 minus the "unexpected percentage") should represent the ratio of the unexpected piece-legs to the expected piece-legs. The number of "unexpected piece-legs" (row 37) is therefore calculated to be the product of this ratio and the "expected piece-legs" (row 30).

The "destination entry pieces" (row 39) are the sum of the price category volumes applicable to each transportation mode.

The number of "unexpected transportation legs" (row 41) for each transportation type are then estimated to be the number of "unexpected piece-legs" (row 37) divided by the "destination entry pieces" (row 39). These unexpected transportation leg values for DNDC, DSCF, and DDU are used to distribute the costs in the 'Cost Dist PS'

worksheet (page 9).

In the 'Cost Dist PRS' worksheet (page 10), the previous version of the cost model contained several assumptions regarding the number of transportation legs for the RSCF and RDU price categories. The number of RSCF intermediate and long distance transportation legs was assumed to be zero. The number of DDU local, intermediate, and long distance transportation legs was assumed to be zero. The RSCF and RDU price categories incur costs for modes of transportation in which one might not expect to find any costs. The five transportation legs described above can therefore also be viewed as "unexpected" transportation legs. The calculations in rows 43 through 55 of the 'Other Inputs' worksheet (page 24) are used to estimate these transportation legs for RSCF and RDU and rely on the same methodology described above for Parcel Select. The TRACS-PTR data that are used to perform these calculations can be found in the 'TRACS-PTR DATA' worksheet (page 4) in the NP folder 'PROP.SIX.DATA.xlsx' file. Supporting PRS barcode data for the calculations can be found in pages 7 and 8 of that same file. These unexpected transportation leg values for RSCF and RDU are used to distribute the costs in the 'Cost Dist PRS' worksheet (page 10).

'Trans Inputs – PRS' Worksheet: The purchased transportation (cost segment 14) costs entered in column D of the 'Trans Inputs –PRS' worksheet (page 23) are not those figures initially presented in Docket No. ACR2016, USPS-FY16-NP14, workbook CS14-NP-FY16. The highway cost segment 14 costs entered in column D have been calculated using the updated purchased transportation cost methodology approved by

the Commission in Docket No. RM2016-12, Order No. 3973 (June 22, 2017).[2]

In prior dockets, the Alaska adjustment factor (0.0702) has been hardcoded into cell D10 and applied to the Intra-Alaska non-preferential cost segment 14 costs. In the instant proceeding, the use of this factor in cell D10 has been discontinued because that calculation is now performed within cost segment 14 and is therefore already reflected in those costs.[3]

As described above, the long distance percentages from the 'Other Inputs' worksheet (page 24) are now used to estimate the percentage of long distance zone-related costs for the IntraSCF, InterSCF, IntraNDC, and InterNDC contract types in cells J20, J21, J22, and J23, respectively. The IntraSCF costs that are not long distance zone-related costs are assumed to be local costs in cell F20. The InterSCF, IntraNDC, and InterNDC costs that are not long distance zone-related costs are assumed to be intermediate costs in cells H21, H22, and H23, respectively.

'Trans Inputs – PS' Worksheet: The purchased transportation (cost segment 14) costs entered in column D of the 'Trans Inputs – PS' worksheet (page 21) are not those figures initially presented in Docket No. ACR2016, USPS-FY16-NP14, workbook CS14-NP-FY16. The highway cost segment 14 costs entered in column D have been calculated using the updated purchased transportation cost methodology approved by the Commission in Docket No. RM2016-12, Order No. 3973 (June 22, 2017)[4].

In prior dockets, the Alaska adjustment factor (0.0702) has been hardcoded into cell D10 and applied to the Intra-Alaska non-preferential cost segment 14 costs. In the

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[2] See Docket No. RM2016-12, PRC-LR-RM2016-12/NP1.
[3] See Docket No. RM2013-6, Proposal One, which was approved by the Commission in Order No. 1983 (February 4, 2014).
[4] See Docket No. RM2016-12, PRC-LR-RM2016-12/NP1.

instant proceeding, the use of this factor in cell D10 has been discontinued because that calculation is now performed within cost segment 14 and is therefore already reflected in those costs.[5]

As described above, the long distance percentages from the 'Other Inputs' worksheet (page 24) are now used to estimate the percentage of long distance zone-related costs for the IntraSCF, InterSCF, IntraNDC, and InterNDC contract types in cells J20, J21, J22, and J23, respectively. The IntraSCF costs that are not long distance zone-related costs are assumed to be local costs in cell F20. The InterSCF, IntraNDC, and InterNDC costs that are not long distance zone-related costs are assumed to be intermediate costs in cells H21, H22, and H23, respectively.

'Volumes' Worksheet: The ONDC and NDC presort volumes that were previously in the 'Volumes' worksheet (page 19) have now been incorporated into the Ground volume in cell B6 of that worksheet. The RNDC volume that was previously in that same worksheet has now been incorporated into the Full Network volume in cell B14 of that worksheet.

'PRS Vol' Worksheet: The 'PRS Vol' worksheet (page 18) shows the volume distribution for PRS. A Full Network section has been added to this worksheet. Because actual Full Network volume data by zone and weight increment are not available, the Full Network volume distribution by zone and weight increment is estimated using Parcel Select Ground data. The Parcel Select Ground volume distribution percentages by zone and weight increment from the ''PS Ground Vol' worksheet (page 16) are multiplied by the total Full Network volume from the 'Volume'

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[5] See Docket No. RM2013-6, Proposal One, which was approved by the Commission in Order No. 1983 (February 4, 2014).

worksheet (page 19) in order to estimate the Full Network volume by zone and weight increment.

'PRS Cube' Worksheet: The 'PRS Cube' worksheet (page 14) is used to calculate the total cubic feet for PRS. A Full Network section has been added to this worksheet. The Full Network cubic feet are calculated using the Full Network volume distribution by zone and weight increment which is estimated as described above.

'Sum-Cube' Worksheet: In the 'Sum-Cube' worksheet (page 11), the Full Network PRS cubic foot miles are estimated by multiplying the Ground cubic foot miles by the ratio of the Full Network volume (page 19) to the Ground volume (page 19) for each zone.

'Cost Dist PRS' Worksheet: A Full Network section was added to the 'Cost Dist PRS' worksheet (page 10). It is assumed that the number of Full Network PRS transportation legs are two for the local transportation mode (one from the DU to the P&DC and one from the P&DC to the DU) and two for the intermediate transportation mode (one from the P&DC to the NDC and one from the NDC to the P&DC). It is assumed that the numbers of long distance legs are the same as that used for Parcel Select Ground. These transportation legs are consistent with the structure of the mail processing Full Network mail flow models described above.

The RSCF and RDU "unexpected transportation legs" values found in cells B20, C17, C21, D18, and D22 of the 'Cost Dist PRS' worksheet are accessed from the 'Other Inputs' worksheet (page 24) and are calculated as described above.

'Cost Dist PS' Worksheet: The DNDC, DSCF, and DDU "unexpected transportation legs" values found in cells B27, C24, C28, D21, D25, and D29 of the

'Cost Dist PS' worksheet (page 9) are accessed from the 'Other Inputs' worksheet (page 24) and are calculated as described above.

'Cost-FN' Worksheet: A 'Cost-FN' worksheet (page 6) was added to the model to estimate the costs for Full Network PRS. This worksheet relies on the same methodology as the 'Cost-Ground' worksheet (page 2).

'Cost-DNDC' Worksheet: Given the change made to the DNDC long distance transportation leg in the 'Cost Dist PS' worksheet (page 9) described above, a long distance cost section has been added to the 'Cost-DNDC' worksheet (page 3).

In addition, the DNDC intermediate costs have been considered to be "long distance zone-related" since Docket No. R97-1.[6] The intermediate DNDC transportation costs have therefore been distributed using cubic foot miles, rather than cubic feet.

Under this proposal, the Postal Service has re-evaluated this methodology. The intermediate costs are generally regarded to be those costs that are incurred when mail is transported between the processing and distribution centers / facilities (P&DC/Fs) and NDCs. All twenty-one NDCs are in metropolitan areas that contain at least one P&DC/F. Some of these metropolitan areas contain several P&DC/Fs. For example, there are seven P&DC/Fs within the Baltimore / Washington, DC metropolitan area where the NDC is located (Baltimore P&DC, Curseen-Morris P&DC, Dulles P&DC, Linthicum P&DF, Northern Virginia P&DC, Southern Maryland P&DC, and Suburban Maryland P&DC). The P&DC/Fs that are located in the metropolitan areas that also contain NDCs represent a significant amount of the P&DC/F processing network. Given this fact, it is difficult to see how Intermediate DNDC costs could always be viewed as

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[6] Docket No. R97-1, USPS-T-16 (Hatfield), page 11 (July 10, 1997).

long distance zone-related costs when a significant amount of the transportation occurs within the same general metropolitan area. In addition, the Ground Intermediate transportation costs are not treated as long distance zone-related costs despite the fact that Ground parcels would incur costs for the exact same destinating Intermediate transportation leg as DNDC. This disparity in how the Ground and DNDC intermediate costs are treated has resulted in a situation where there are large differences in the cost per cubic foot for the DNDC zones. In some instances the DNDC costs exceed the Ground costs for the corresponding zones. The Postal Service therefore proposes that the intermediate DNDC costs be distributed using cubic feet, rather than cubic foot miles, similar to the way the intermediate costs are distributed for Parcel Select Ground.

'**Cost-Sum' Worksheet:** Long distance cost columns have been added to the DNDC section of the 'Cost-Sum' worksheet (page 1) to accommodate the changes made to the 'Cost-DNDC' worksheet (page 3), as described above. This DNDC section accesses the long distance costs from that same worksheet.

A Full Network PRS section was added to the 'Cost-Sum' worksheet. This section accesses the results from the 'Cost-FN' worksheet (page 6).

IMPACT:

The mail processing cost model is used to de-average a mail processing cost by shape estimate for both Parcel Select and PRS into price category cost estimates for those two products. Given that the mail processing cost by shape estimates for Parcel Select and PRS are identical to the estimates relied upon in Docket No. ACR2016, the mail processing unit cost estimates for some price categories increased while the mail processing unit cost estimates for other price categories decreased.

For Parcel Select, the mail processing unit cost estimate for Ground machinable parcels decreased over three percent because some data inputs were removed from that mail flow model. The changes to the mail processing unit cost estimates for the remaining Parcel Select price categories did not change significantly and were generally within one percent of the Docket No. ACR2016 results.

For Parcel Return Service, Full Network PRS cost estimates were added to the analysis. This change contributed to a lower Cost and Revenue Analysis (CRA) proportional adjustment factor, which normally would have resulted in lower RSCF and RDU mail processing unit cost estimates. While the decreases to the RSCF mail processing unit cost estimates all exceeded eight percent, the RDU machinable and NMO cost estimates increased over four percent and the RDU oversize cost estimate decreased thirty percent. The RDU results were caused by changes that were made to those cost models; the container loading costs were removed from those models and postage due costs were added to those models to reflect the fact that the RDU prices now vary by weight increment.

The transportation cost model is used to estimate cost per cubic foot for each price category. Where applicable, these costs are estimated by zone. The cost segment 14 costs are a major input to the transportation cost model. In Docket No. RM2016-12, Order No. 3973 (June 22, 2017), the Commission approved a change to the methodology that is used to estimate cost segment 14 highway costs. This change resulted in lower cost segment 14 highway costs.[7]

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[7] To be clear, had the highway variabilities approved in Docket No. RM2016-12 been employed in the ACR for FY 2016, the general result would have been different (lower) product costs reported in the rows of the FY 2016 Public CRA as provided in USPS-FY16-1, as well as different attributable costs in total. In contrast, on their own, the instant Proposal Six changes in the mail processing and transportation costs

For Parcel Select, the Ground cost per cubic foot estimates for most zones decreased by six to fifty percent due to the new highway transportation cost methodologies and the incorporation of the unexpected DNDC, DSCF, and DDU transportation legs into the cost model. This latter modification shifted some costs from the Ground price category to the destination entry price categories. These changes also impacted the DNDC costs per cubic foot by zone. The costs for each DNDC zone have decreased at least fifteen percent. The DNDC cost variation by zone, however, has decreased significantly due to the fact that the intermediate costs are now distributed using cubic feet, rather than cubic foot miles. The DSCF cost per cubic foot estimate nearly doubled due to the fact that some costs were shifted from Ground to the destination entry price categories as described above. The DDU cost per cubic foot estimate decreased over ten percent due to the fact that an assumption that was previously in the cost model was replaced by the improved methodology for estimating unexpected transportation legs.

For Parcel Return Service, Full Network PRS cost per cubic foot estimates were added to the transportation cost model. The RSCF cost per cubic foot estimate decreased over twenty percent due to the new highway transportation cost methodology. In addition, the RSCF result was affected by the proposed methodology for estimating unexpected transportation legs. This methodology also showed that the RDU transportation costs are greater than zero. Consequently, the RDU cost per cubic

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models would not have caused any changes in the product rows in USPS-FY16-1, or in the total attributable cost reported therein. It would merely redistribute costs at levels below what are shown in those rows. But since future ACRs will be prepared using the new highway variabilities, it makes sense to show the impact of the current Proposal taking account of those variabilities as well. That is accomplished in Table Two below showing the Transportation Impact by separately presenting the percentage changes in unit costs relative to what was filed for FY 2016 with respect first to the approved new highway variabilities, and then second with respect to the proposed new cost model changes.

foot estimate has increased.

The specific percentage impacts of the proposed modifications are summarized below in Tables 1 (mail processing) and 2 (transportation).   (The absolute unit cost changes are provided under seal as part of USPS-RM2017-10/NP1.)

Table 1: Mail Processing Impact

Price Category	Percent Change
Parcel Select	
Ground Machinable	-3.4%
Ground NMO	NA
Ground Oversize	NA
DNDC Machinable	-0.8%
DNDC NMO	-0.7%
DNDC Oversize	-0.7%
DSCF 5-Digit Machinable	-0.6%
DSCF 5-Digit NMO	-0.6%
DSCF 5-Digit Oversize	-0.7%
DSCF 3-Digit NMO	-0.7%
DDU Machinable	-0.6%
DDU NMO	-0.6%
DDU Oversize	-0.6%
Parcel Select Lightweight	
No Destination Entry MNDC	1.0%
No Destination Entry NDC	0.0%
DNDC Entry NDC	0.4%
DNDC Entry SCF	1.1%
DNDC Entry 5-Digit	-0.6%
DSCF Entry SCF	1.2%
DSCF Entry 5-Digit	-0.6%
DDU Entry 5-Digit	-0.6%
Parcel Return Service	
Full Network Machinable	NA
Full Network NMO	NA
Full Network Oversize	NA
RSCF Machinable	-8.1%
RSCF NMO	-8.3%
RSCF Oversize	-10.9%
RDU Machinable	6.1%
RDU NMO	4.7%
RDU Oversize	-34.8%
Barcode Savings Estimate	0.0%

Table 2: Transportation Impact

Price Category	Percent Change from Docket No. RM2016-12	Additional Percent Change from Current Proposal	Total Percent Change
Parcel Select			
Ground			
Zones 1 and 2	-15.2%	-40.9%	-56.1%
Zone 3	-15.2%	-37.1%	-52.3%
Zone 4	-15.2%	-32.1%	-47.3%
Zone 5	-15.1%	-27.4%	-42.5%
Zone 6	-15.1%	-17.6%	-32.6%
Zone 7	-15.0%	-5.7%	-20.7%
Zone 8-9	-14.9%	8.4%	-6.4%
DNDC			
Zones 1 and 2	-16.2%	1.0%	-15.1%
Zone 3	-16.6%	-64.2%	-80.8%
Zone 4	-16.7%	-73.9%	-90.5%
Zone 5	-16.7%	-77.9%	-94.6%
DSCF	-13.2%	206.4%	193.2%
DDU	-13.0%	2.9%	-10.1%
Parcel Return Service			
Full Network			
Zones 1 and 2	---	---	---
Zone 3	---	---	---
Zone 4	---	---	---
Zone 5	---	---	---
Zone 6	---	---	---
Zone 7	---	---	---
Zone 8-9	---	---	---
RSCF	-16.0%	-9.7%	-25.7%
RDU	---	---	---